

Modernization Update

The New IRS Stands UP

Meet the New IRS

Appeals

Appeals At-a-Glance

Mission: To resolve tax controversies, without litigation, on a basis which is fair and impartial to both the Government and the taxpayer, and in a manner that will enhance voluntary compliance and public integrity and efficiency of the Service.

Headquarters: Washington, DC

National Director: Daniel L. Black, Jr.

Appeals Field Offices Aligned with Operating Divisions:

L MSB Area HQ Offices: Chicago, IL; Houston, TX; Manhattan, NY; New Jersey; Northern California

SB/SE & TE/GE HQ Offices:

Baltimore, MD; Denver, CO; Laguna Niguel, CA; Philadelphia, PA; Chicago, IL; Detroit, MI; Manhattan, NY; San Francisco Bay Area; Dallas, TX; Jacksonville, FL; Nashville, TN; St. Paul, MN

W & I: TBD

Field Offices throughout the nation: See current Appeals Customer Service Representative Directory

Appeals Organization

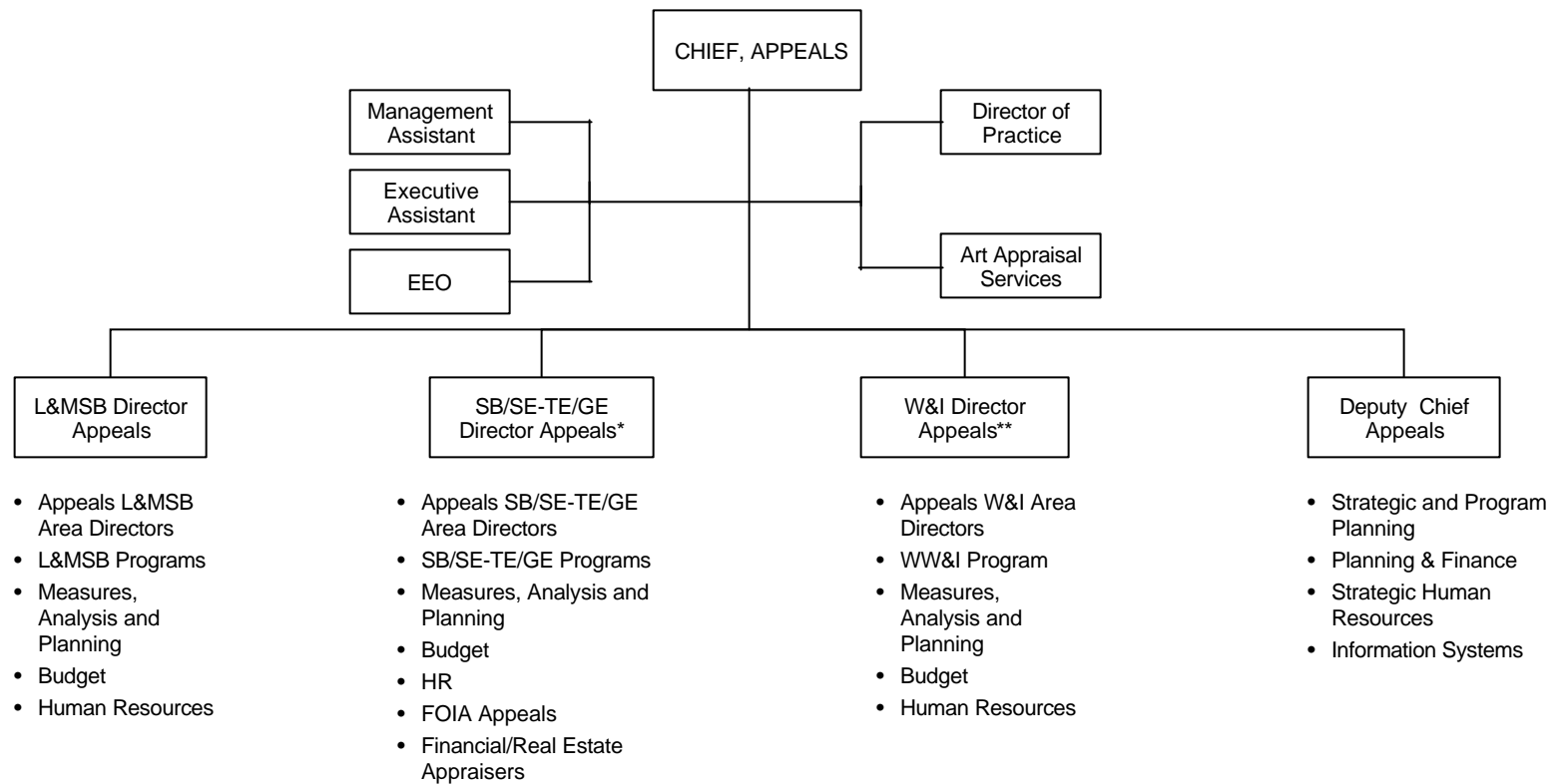
Appeals provides taxpayers with an independent, impartial review of their cases after an audit is completed or collection action is proposed. It is the last opportunity for the IRS and the taxpayer to agree before a case goes to court. Appeals plays a critical role in ensuring that taxpayers have an opportunity to resolve their dispute.

Meet the New IRS Appeals

Keys to the success of the Appeals function include three factors: its independence, impartiality and fairness. Taxpayers will continue to receive high-quality service from the offices that serve them now. To ensure improved customer satisfaction, Appeals will focus on streamlining its processes and offer new services like fast track mediation. A snapshot of the new Appeals reveals:

- An organization with three operating units: Wage & Investment, Small Business/Self-Employed – Tax Exempt/Government Entities, and Large & Mid-Size Business. W&I stand-up is scheduled for 18-24 months after the other units become operational.
- SB/SE—TE/GE activities involve cases covering corporations with less than \$5 million in assets, collection issues, estate and gift tax cases, self-employed cases, tax exempt entities, and government entities. This unit will also have responsibility for the current Records and Processing sections. Other program responsibilities include innocent spouse, Freedom of Information Act appeals, excise and employment tax and ADR of bankruptcy, dyed diesel fuel, and tax exempt bond cases.
- LSMB activities cover corporate and partnership cases with assets greater than \$5 million with the most complex issues, particularly international issues. It will include such activities as the Industry Specialist Program, supercase ADR, Joint Committee, international issues, and competent authority.
- An empowered workforce of Appeals officers who have redelegated settlement authority on a limited basis.
- A team-based environment for Appeals staff to increase quality and responsiveness.
- New processes to settle taxpayer disputes faster, such as Fast Track Mediation. This new program allows examiners and group managers to present their cases personally to the Appeals Officer and receive immediate feedback on the settlement. In addition, the Appeals Officer is empowered to settle the case and mediate a fair resolution for the taxpayer and the IRS.
- Improved feedback processes with compliance areas to ensure high-quality case development.

Appeals Organization Chart



* Director Appeals SB/SE-TE/GE and Deputy Appeals SB/SE-TE/GE

** Appeals W&I stand-up is scheduled for 18-24 months after the other units become operational

Panel 4: Changes to the Tax Controversy Process Under Modernization

TELEPHONE DIRECTORY Appeals Customer Service Representatives

Not a toll-free call.

Office (<i>Location</i>)	Customer Service Representatives		Customer Service Representatives (Back-up)	
NORTHEAST REGION				
Brooklyn (<i>Hempstead</i>)	James Swierczewski	(516) 539-6259	Joseph Rini	(516) 539-6250
Connecticut-Rhode Island (<i>East Hartford</i>)	Richard Geltzer	(860) 290-4055	Vincent D'Avirro	(860) 290-4059
Manhattan (<i>New York City</i>)	Phyllis Cayenne	(212) 298-2430	Stuart Block	(212) 298-2456
Michigan (<i>Detroit</i>)	Kathleen Clark	(313) 226-2314 ext. 62344	Mary Jo Fedewa	(517) 669-8666-Lansing
New England (<i>Boston</i>)	Ann Benner	(617) 565-7962	Linda Rolf	(617) 565-7981
New Jersey (<i>Newark</i>)	Robert Castoro	(973) 645-6288	Debra McMillan	(973) 645-2445
Ohio (<i>Cleveland</i>)	Chris Behan	(216) 623-2047	Denise Neidermeyer	(216) 623-2015
Pennsylvania (<i>Philadelphia</i>)	Daria Gallen	(215) 597-2177 ext. 160	Betty Landau	(215) 597-2177 ext. 144
Upstate New York (<i>Buffalo</i>)	Rodney Krysztof	(716) 551-5330 ext. 21	Barry Noller	(716) 551-5330 ext. 26
SOUTHEAST REGION				
Delaware-Maryland (<i>Baltimore</i>)	Patricia Dedianko	(410) 962-9354	Ruth Vriend	(410) 962-9379
Georgia (<i>Atlanta</i>)	Mary Ann Wine	(404) 338-7197	Valerie Allen	(404) 338-7301
Gulf Coast (<i>New Orleans</i>)	Terri Beach	(504) 558-3177	Wanda Hill	(504) 558-3163
Indiana (<i>Indianapolis</i>)	Rita Burrell	(317) 226-6778	Catherine Anslinger	(317) 226-6540
Kentucky-Tennessee (<i>Nashville</i>)	Wanda Daniels	(615) 250-5613	Chuck Bauer	(502) 582-5448 Louisville
North Florida (<i>Jacksonville</i>)	Bob Kelly	(904) 665-0962	Sandra Holder	(904) 665-0960
North-South Carolina (<i>Greensboro</i>)	Bobbie Smith	(336) 378-2309	Cathy Lacinski	(704) 566-5244-Charlotte
South Florida (<i>Ft. Lauderdale</i>)	Linda Whitmyre	(305) 982-5377	Edward Blum	(305) 982-5254 Miami
Virginia-West Virginia (<i>Richmond</i>)	Barbara Petrohovich	(804) 771-2772	Rebecca Robbins	(804) 771-2302 ext. 15

Panel 4: Changes to the Tax Controversy Process Under Modernization

MIDSTATES REGION

Oklahoma-Arkansas (<i>Oklahoma</i>)	Mary Howard	(405) 297-4956	Troy Talbott	(405) 297-4952
Houston (<i>Houston</i>)	Bennie Allen	(281) 721-7215	Liz Johnson	(281) 721-7254
Illinois (<i>Chicago</i>)	Lois Jacobs	(312) 886-5754	Patricia McDermott	(217) 527-6310
Kansas-Missouri (<i>St. Louis</i>)	Brenda Meyer	(314) 612-4672	Doug Wilke	(314) 612-4658
Midwest (<i>Milwaukee</i>)	Clinton D. Wentz	(414) 297-4120	Paula Colvin	(402) 221-3692-Omaha
North Central (<i>St. Paul</i>)	Elizabeth Moore	(651) 290-3868	Linda Pilgreen	(651) 290-3867-ext. 355
North Texas (<i>Dallas</i>)	David Lowell	(972) 308-7271	Wally Banks	(972) 308-7331
South Texas (<i>Austin</i>)	Gerald Sackett	(512) 499-5650	Tom Whisenant	(210) 706-5203 San Anton

WESTERN REGION

Central California (<i>San Jose</i>)	Steve Howell	(408) 817-4622	Chris Roach	(408) 817-4609
Los Angeles (<i>Los Angeles</i>)	Carol Stone	(213) 894-4700 ext. 129	Linda Bullock	(213) 894-4700 ext. 132
Northern California (<i>San Francisco</i>)	Gerry Melick	(415) 744-9255	Faith O'Hara	(415) 744-9309
Pacific Northwest (<i>Seattle</i>)	Lenora Miles	(206) 220-6054	Debra Bush	(206) 220-6051
Southern California (<i>Laguna Niguel</i>)	Mary Jensen	(949) 360-6380	Fernando Orozco	(949) 360-6381
Southwest (<i>Phoenix</i>)	Mary Keebler	(602) 207-8167	Tina Fleischman	(702) 455-1134 Las Vegas
Rocky Mountain (<i>Denver</i>)	Joyce Larson	(303) 844-1951	Catherine Pimm	(303) 844-1959

For additional information, contact:

National Office (Washington, DC)

Office of Alternative Dispute Resolution and Customer Service Programs: Tom Louthan (202) 694-1842 and

Darlene Marshall (202) 694-1875

Regional Coordinators

Northeast Region (New York City): Ellen Wassong (212) 298-2361

Southeast Region (Atlanta): Janell Gadd (404) 338-7706

Midstates Region (Dallas): Leonard Horton (972) 308-7495

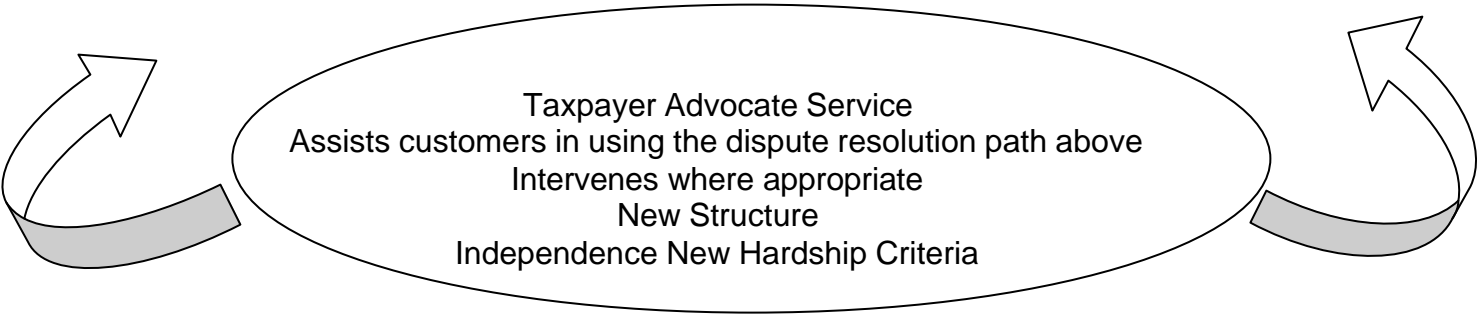
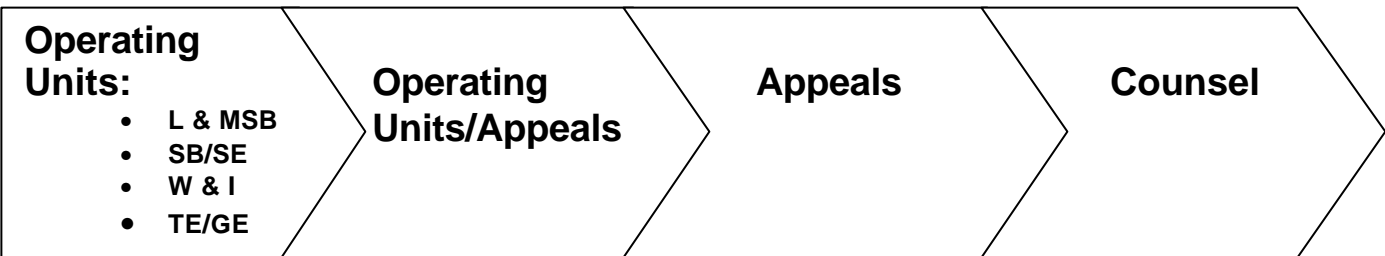
Western Region (San Francisco): Dennis Malone (415) 575-7313 **DM Last Update: October 28, 1999**

Modernization Is Bringing Changes to the Tax Controversy Process

Providing a Continuum of Dispute Resolution



Pre-filing activities and guidance	Fast Track Mediation	<i>Still available: Appeals conferences, early referral, mediation/arbitration</i> New: Delegated settlement authority Ex parte communications	<i>Still Available: pre-trial settlement, litigation</i> New: Case assignment process Management of Tax Court Calendar New structure
		Collection Due Process New structure	



FAST TRACK MEDIATION

Beginning early in 2000, Appeals will begin testing fast track mediation in four sites around the country. Fast track mediation is a new process that the IRS will offer taxpayers to assist in resolving tax disputes resulting from an examination, an offer in compromise, or a trust fund recovery penalty.

The benefits include:

Taxpayers	Internal Revenue Service
<ul style="list-style-type: none">• an expedited process	<ul style="list-style-type: none">• no formal unagreed report
<ul style="list-style-type: none">• a neutral mediator	<ul style="list-style-type: none">• Compliance participates in resolution
<ul style="list-style-type: none">• a neutral setting	<ul style="list-style-type: none">• case resolved at lowest level
<ul style="list-style-type: none">• no written protest required	<ul style="list-style-type: none">• improved customer relations

How Does Fast Track Mediation Work?

When taxpayers disagree with any or all of the IRS findings in their case, they may request a meeting with the manager of the examiner or revenue officer who issued the findings. Mediation can take place at that meeting or afterwards. To begin the process, both the taxpayer and the IRS manager must sign a simple agreement form. Generally within one week, Appeals will assign a mediator to contact the taxpayer and the IRS manager to schedule a meeting.

What Qualifies for Fast Track Mediation?

Most cases qualify for fast track mediation. In general, a taxpayer may use the process if the case has a proposed tax deficiency of \$100,000 or less and is not docketed in any court. An offer in compromise must be less than \$50,000 to qualify.

What Is Mediation?

The goal of mediation is to provide an impartial forum for taxpayers and the IRS resolve the dispute. The mediator's role is to facilitate communication by working with the taxpayer and the IRS to obtain the information necessary to understand the nature of the dispute. This includes the issues involved and the positions of both parties.

A resolution agreed to in mediation will not be binding for any taxable years other than those covered by the agreement. The mediator has no authority to require either party to accept any resolution. For any unresolved issues, the taxpayer retains all the usual appeal rights.

Why Another Case Resolution Process?

The IRS believes that an efficient and impartial system of resolving disagreements is essential to enhance the public's confidence in the integrity and fairness of the administration of the tax laws. Part of a restructuring of the Service's administrative appeals process, fast track mediation is aimed at establishing a more timely system for resolving tax controversies.

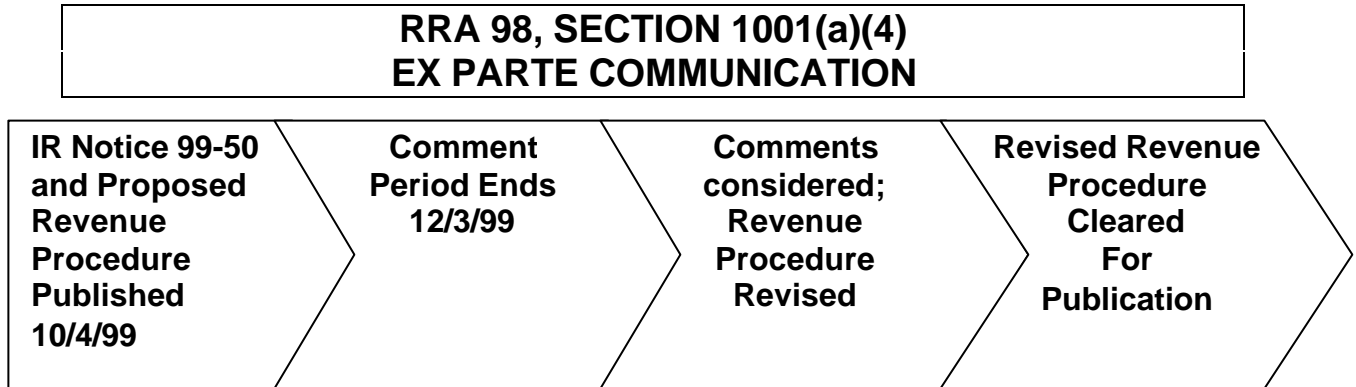
DELEGATION OF SETTLEMENT AUTHORITY

Under the new team concept model, settlement authority will be delegated to appeals officers within certain parameters. Redelegation to the lowest level in the Appeals organization is predicated on adopting a team environment approach. Team managers for an Appeals officer group will be more involved in cases at the pre-decisional level. It is envisioned that they will provide input, perspective, and technical assistance at an early stage in the case consideration process. Appeals officers will be encouraged to interact more with other Appeals Officers on their team to increase consistent treatment of similarly situated taxpayers. In addition, two new case review processes will provide the accountability that ensures case settlement integrity and quality. These processes are the team manager review and a new, centralized closed case review.

Under the Team Manager review, team managers are required to review enough cases of both types, i.e., where settlement authority has been delegated and where it has not, to obtain a sample representative of each Appeals officer's work. They will document unacceptable settlements and use them to determine if an Appeals officer will continue to have delegated settlement authority.

Under the Closed Case review, a separate new Appeals Quality Measurement System (AQMS) will regularly evaluate the quality of a statistically valid sample of closed cases. AQMS reviews will be used to evaluate the overall quality of Appeals settlements and identify areas needing additional managerial attention.

Rollout of the team concept is scheduled to begin with pilots in mid-2000. The staged implementation process should be complete by the end of 2001.



- Section 1001(a)(4) of RRA 98 states that the Commissioner's plan to reorganize the IRS shall...
 - ...ensure an independent appeals function within the Internal Revenue Service, including the prohibition in the plan of ex parte communications between Appeals officers and other Internal Revenue Service employees to the extent that such communications appear to compromise the independence of the Appeals officers.
- In the context of the statute, ex parte communications are communications that take place in the absence of one of the parties -- specifically the taxpayer.
- The proposed revenue procedure takes the approach that the phrase "other Internal Revenue Service Employees" refers to employees of the functions where the work of appeals originates, i.e. Examination, Collection, EP/EO, and International.
- As drafted, the proposed revenue procedure recognizes the responsibility of Chief Counsel's office to serve as legal advisor to the Commissioner and IRS employees. However, Appeals officers are cautioned that they remain responsible for independently evaluating the strengths and weaknesses of issues and making independent judgments concerning the hazards of litigation.
- If communications concerning a case in Appeals jurisdiction involve discussions of the strengths and weaknesses of specific issues or positions or the case as a whole, the taxpayer/representative must be given the opportunity to participate.

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- Examples of situations where the taxpayer/representative must be invited to participate:
 - ◆ Communications with the originating function about the strengths and weaknesses of proposed adjustments while the case is under Appeals jurisdiction.
 - ◆ Communications with the originating function about the strengths and weaknesses of possible new issues.
 - ◆ Communications with the originating function about the strengths and weaknesses of issues prior to returning a case for further development.
 - ◆ Pre-Conference meetings on CEP cases.
- Examples of situations where the ex parte communication prohibition does not apply:
 - ◆ Requests to the originating function for general or clarifying information that does not involve the strengths and weaknesses of the proposed adjustments.
 - ◆ Discussions with the Taxpayer Advocate's office on a matter referred to Appeals by that function.
 - ◆ Discussions with Joint Committee -- not IRS employees.
- The proposed revenue procedure was drafted with the objective of implementing the pertinent provision of RRA 98, while, at the same time, striking a balance between taxpayer rights and effective tax administration. It also recognizes that Congress was concerned about the appearance of independence.

APPEALS OF COLLECTION ENFORCEMENT ACTIONS

Before April 1, 1996 the filing of a federal tax lien, levy, or seizure was not appealable.

Starting April 1, 1996, liens, levies and seizures were appealable, before or after the action was taken were appealable in the Collection Appeals Program (CAP). Each lien, each levy and each seizure can be appealed in separate CAP actions.

On January 1, 1997, terminations of installment agreements became appealable by statute (TBOR 2). The Service elected to add this to the CAP program and also made installment agreements appealable before or after the agreement was terminated.

Starting July 22, 1998, denials of installment agreements were also appealable by statute (RRA 98). This right was also added as a CAP appeal.

Starting January 19, 1999, Collection Due Process (CDP) became effective. This allows an appeals “hearing” BEFORE any levy action can occur in a given tax period and AFTER the filing of the first Notice of Federal Tax Lien (NFTL) on a given period. If the taxpayer doesn’t agree with the Appeals’ determination in a CDP hearing, the taxpayer can take the issue to the Tax Court or a district court, whichever has jurisdiction for the type of tax.

In a CAP appeal Appeals

- Considers any issue raised by the taxpayer (unless specifically precluded).

In a CDP hearing Appeals:

- Verifies that the Service has followed legal and procedural requirements.
- Considers issues raised by the taxpayer.
- Balances the intrusiveness of the lien/levy action versus the government's need for efficient collection of the taxes.

Advantages of CDP

- Right to hearing before any levy action taken.
- Right to go to court.

Advantages of CAP

- Right for appeal BEFORE any lien filed. (In CDP, the right occurs only AFTER the NFTL is filed.)
- Can appeal each and every levy/lien/seizure/installment agreement (CDP limited to one hearing per taxable period.)